



City of Hollister

Development Services

375 Fifth Street, Hollister, CA 95023

MEMORANDUM

DATE: March 12, 2015

TO: City Council, City Manager, City Attorney, City Clerk

FROM: Mary M. Paxton, Development Services

SUBJECT: March 16, 2015 Consent Items A14, Report requesting staff to prepare amendments to the loan agreements for the Rustic Garden and Rancho Park affordable housing projects and approval of a resolution rescinding Resolution 2014-192.

It has come to staff's attention that the February 27, 2015 proposal from Eden Housing for Ranch Park and Park and Rustic Gardens was inadvertently omitted as an attachment to the Staff Report. A copy of the proposal is attached to this memo.



February 27, 2015

TO: City of Hollister Development Services
FROM: Eden Housing, Inc.
RE: **City of Hollister Loan and Proposed Resyndication of Rancho Park and Rustic Gardens**

Support Requested

Eden Housing, on behalf of the Rancho Park and Rustic Gardens projects located in Hollister, formally requests the City's support to recapitalize and resyndicate these projects as one scattered-site tax credit project, in order to support their long-term preservation as critical affordable housing resources. Eden seeks the City's support to modify the recently committed \$117,000 loan to Rustic Gardens, and modify and extend the City's existing loans to Rancho Park and Rustic Gardens, as part of the total recapitalization plan. In exchange, both projects will have extended and deepened affordability.

Overview

Eden Housing Management, Inc. (EHMI), a wholly-owned affiliate, has been providing property management services for these two projects since January 2015 and Eden anticipates assuming ownership of the projects during 2015. As part of the transfer process, Eden has been evaluating projects for opportunities to enhance affordability, communities served, and resident quality-of-life; urgency of physical repair and rehabilitation needs; ability to enhance operations through greening and efficiency improvements; and availability of sources for refinancing and recapitalization to ensure long-term financial viability.

Rancho Park and Rustic Gardens will meet these criteria if they can be resyndicated as a scattered-site project with either four percent Low Income Housing Tax Credits and competitive California state credits with tax-exempt bonds, or 9 percent rural set-aside Low Income Housing Tax Credits. Eden would like to work in partnership with the City to submit these projects for the tax credit 2015 Round 2, with an application due date of July 1st.

If no action is taken, Rustic Gardens is predicted to begin operating at a loss within a few years. It currently does not support any mortgage, and operates near break-even. By pairing and recapitalizing them together, Rustic Gardens can be placed on a firmer footing. In addition, with the efficiencies that are possible by operating the properties together, and by implementing greening measures that can be funded by a recapitalization and will trim operating margins at both properties, both properties' operating margins can be stabilized.

Eden is grateful for the recent City commitment of \$117,000 to address physical needs at Rustic Gardens. Upon further examination by qualified architects, the architects have determined that significantly more funding is necessary to address the physical needs. By pairing Rancho Park and Rustic Gardens, the projects could collectively raise enough tax credit equity to address the needs and, as budget allows, support greening and other enhancements at both properties.

Eden further understands that the new City loan triggers a requirement to restrict 30 percent of the units to 30 percent Area Median Income (AMI) for a new 55-year regulatory period. Eden welcomes the opportunity to deepen and extend affordability, but the lower AMI restrictions challenge the long-term financial viability of the projects. Recapitalizing the projects through a resyndication would address this challenge.

There are a number of financial structuring requirements necessitated by the tax credits. A full preliminary pro forma is attached. To meet the 55-year debt test, Eden would be asking the City and the California Department of

Housing and Community Development (HCD) to forgive accrued interest to the date of the construction finance closing, projected for 11/30/2015, and reset the interest rates to the Applicable Federal Rate (AFR). The interest is shown as carried forward in the pro forma, but most likely will have to be forgiven. The pro forma shows including the full 4 percent allowable developer fee of \$2.5 million, but this is for basis purposes only, and Eden intends to defer a substantial portion of the allowable fee, as shown in the pro forma, to balance sources and uses.

Commitment Timeline – By July 1st, in order to meet tax credit committee requirements

<u>City commitments by July 1st</u>	<u>Eden affiliate commitments</u>
<ul style="list-style-type: none"> • Modify the \$117,000 approved loan to Rustic Gardens to extend it to both projects • City commitment to assign, extend, modify, and forgive accrued interest on <u>existing</u> City loans, interest rate to be set at AFR for 55 years, resubordinate the loans to senior lenders, and adjust the pro rata share of any distributions based on the new proportion of residual receipts loans • Complete the design review process and sign off on NEPA and CEQA clearance for the repair scope of work 	<ul style="list-style-type: none"> • 55-year regulatory restrictions (affordability and County clients) attached to new and original loans from the City • Deeper affordability at both projects, with 30% of units restricted to 30% AMI • County has an equal security interest in both projects, as would the California Department of Housing and Community Development • Capital needs funding supports repairs at both projects, with construction scheduled through 2016

Summary

Prevailing Wage
NOT A DDA OR QCT

A DEVELOPMENT BUDGET SUMMARY

Description	Total Development Costs	Per Unit Sq			Total Per Unit
		Predev Period	Rehab Period	Perm Close and 8609	
Repay Affiliates	0		0	0	-
Repay Soft Debt	0		0		
Mortgage Payoff	253,331		253,331		3,470
Original Soft Financing	7,489,377		7,489,377		102,594
Acquisition	4,715,000	0	4,715,000	0	64,589
Other Acquisition Costs	47,500	0	47,500	0	651
Acquisition - Transfer Taxes	5,187	0	5,187	0	71
Off-Site Improvements	0	0	0	0	-
Construction - Repair and Restoration	1,491,000	0	1,491,000	0	20,425
Construction - PV, Solar Thermal	300,000	0	300,000	0	4,110
Construction - Gen Cond, OH&P	250,740	0	250,740	0	3,435
Construction - Contractor Ins & Bonds	58,208	0	58,208	0	797
Construction - Hard Cost Contingency	268,650	0	268,650	0	3,680
Construction Manager/PW Monitor	51,000	9,000	51,000	0	699
Environmental Testing	0	0	0	0	-
Furnishings	60,000	0	60,000	0	822
Architecture/Engineering/Design	214,920	128,952	214,920	0	2,944
GP Legal Non-Syndication	51,900	0	35,000	16,900	711
GC Consult/PNA/Appraisal/Mkt Stdy	60,500	48,500	60,500	0	829
Title	42,500	0	32,500	10,000	582
Permits and Fees	68,730	68,730	68,730	0	942
Relocation	0	0	0	0	-
Soft Cost Contingency	72,398	21,719	72,398	0	992
Marketing / Leaseup	10,000	0	10,000	0	137
TCAC Fees	37,088	7,978	7,978	29,110	508
Replacement Reserve Capitalized	71,000	0	0	71,000	973
Operating Reserve Capitalized	320,398	0	0	320,398	4,389
Transition Operating Reserve Capitalized	0	0	0	0	-
Construction Period Owner Insurance	60,000	0	60,000	0	822
Cost of Issuance and Guaranty Fees	0	0	0	0	-
Construction Loan Interest	248,325	0	248,325	0	3,402
Accrued/Deferred Soft Loan Interest	0	0	0	0	-
Financing Expenses	231,750	0	231,750	0	3,175
Costs of Syndication	135,000	40,500	135,000	0	1,849
Developer Fee	2,500,000	0	1,529,851	970,149	34,247
TOTAL DEVELOPMENT COSTS	19,114,500	325,379	17,696,944	1,417,557	261,842

B FIVE YEAR CASH FLOW (in thousands)

Description	2016	2017	2018	2019	2020	2021	2022
	1	2	3	4	5	6	7
TCAC Rent	723	741	760	779	798	818	838
Section 8 Increment	0	0	0	0	0	0	0
Not Used	0	0	0	0	0	0	0
Misc Inc (Laundry, Vending)	17	17	18	18	19	19	20
Gross Potential Income	740	758	777	797	817	837	858
Less Vacancy/Loss	37	38	39	40	41	42	43
Effective Gross Income	703	720	738	757	776	795	815
Less Operating Expenses	527	546	565	585	605	626	648
Net Operating Income	175	174	173	172	171	169	167
Less Debt Service - Mort	0	12	24	24	24	24	24
Less Replace Reserves	0	22	44	44	44	44	44
Less Supportive Programs	11	12	12	13	13	13	14
Less HCD Fee 0.42%	25	25	25	25	25	25	25
Less HOME Monitoring Fee	0	0	0	0	0	0	0
Less Trustee Fee	3	3	3	3	3	3	3
Less Issuer Fee (Post-Conv)	0	0	5	5	5	5	5
Net Cash Flow	136	100	60	58	56	54	51
Investor Asset Manage Fee	5	5	5	6	6	6	6
Not Used	0	0	0	0	0	0	0
Partnership Management Fee	0	5	10	10	11	11	11
Ground Lease Payment	0	0	0	0	0	0	0
Cash Flow	131	90	45	42	40	37	34
Deferred Fee/Seller Takeback	0	45	45	42	40	37	34
Net Cash Flow	131	45	0	0	0	0	0
Construction Source	33	45	0				
Debt Service Coverage Ratio (DSCR)			3.49	3.42	3.34	3.25	3.14

C UNIT MIX AND RENTS

Unit Type	Most Restr.	Count	Per Unit Sq		%AMI	Gross Rent	Net Rent	Monthly Net	Annual Net
			Ft	Total Sq Ft					
RANCHO	2 BR	RHCP	5	935	4,675	30%	533	468	2,340
RANCHO	3 BR	RHCP	11	1150	12,650	30%	585	507	5,577
RANCHO	4 BR	RHCP	2	1375	2,750	30%	669	570	1,140
RUSTIC	2 BR	RHCP	1	890	890	30%	593	513	513
RUSTIC	3 BR	RHCP	4	1250	5,000	30%	659	563	2,252
RUSTIC	4 BR	RHCP	1	1375	1,375	30%	753	631	7,572
RANCHO	4 BR	RHCP	1	1375	1,375	50%	1,275	1,176	14,112
RANCHO	3 BR	TCAC	6	1150	6,900	50%	858	780	4,680
RANCHO	4 BR	TCAC	1	1375	1,375	50%	926	827	9,924
RUSTIC	3 BR	TCAC	1	1250	1,250	50%	669	573	6,876
RUSTIC	4 BR	TCAC	1	1375	1,375	50%	1,089	967	11,604
RANCHO	3 BR	RHCP	6	1150	6,900	60%	1,079	1,001	6,006
RANCHO	4 BR	RHCP	1	1375	1,375	60%	1,166	1,067	12,804
RANCHO	2 BR	TCAC	3	935	2,805	60%	920	855	2,565
RANCHO	3 BR	TCAC	14	1150	16,100	60%	1,142	1,064	14,896
RANCHO	4 BR	TCAC	3	1150	3,450	60%	1,162	1,063	3,189
RUSTIC	3 BR	RHCP	1	1250	1,250	60%	951	855	855
RUSTIC	4 BR	RHCP	1	1375	1,375	60%	1,355	1,233	1,233
RUSTIC	2 BR	TCAC	3	890	2,670	60%	1,032	952	2,856
RUSTIC	3 BR	TCAC	3	1250	3,750	60%	1,155	1,059	3,177
RUSTIC	4 BR	TCAC	2	1375	2,750	60%	1,246	1,124	2,248
RANCHO	4 BR	STAFF	1	1375	1,375	STAFF	738	738	738
RUSTIC	3 BR	STAFF	1	1250	1,250	STAFF	738	738	738
Total Units			73	Total Residential Rental Income			60,244	722,928	
Average Affordability Level			48.45%						

D ANNUAL OPERATING EXPENSES/UNIT \$ 7,257 FY2015

E FINANCING ASSUMPTIONS

<u>1. Construction Loan</u>		<u>Existing Reserves</u>	
Amount	5,500,000	Reserve balance	178,079
Rate Index	1-mo LIBOR plus 185 bps		
Modeled Rate	3.01%		
Indicative rate	2.01%	<u>6. Land</u>	
Cushion	1.00%	FMV	100,000
Terms (Mos.)	18	Value per Unit	1,370
Extensions	3 months x 2		
Draw Down	see schedule		
LTV	TBD, <85%	<u>7. Advance</u>	
50% Test	53.36%	Total	325,379
		Sponsor Portion	
		Repayment	Construction Loan Close
<u>2. New Permanent Mortgage</u>		<u>8. Seller Takeback</u>	
Amount	351,477	Improvements	not applicable
Rate Index	20-yr Treasury + 250 bps	Land/Lease	not applicable
Modeled Rate	6.14%	AFR	Feb-15 2.68%
Indicative Rate	5.14%		
Cushion	1.00%		
Term (Mos.)	216		
Amort (Mos.)	420		
DSCR	1.15	<u>9. Existing Soft Debt</u>	12/31/2015
Annual Debt Service	24,049	Projected Balance	7,489,377
Ending Principal	255,916		
<u>3. Investor Pay-In</u>			
Federal LIHTC Rate	\$ 1.070		
State LIHTC Rate	\$0.65		
Business Tax Credit Rate	\$1.07		
Total LP Pay-In	4,528,343		
<u>4. GP Pay-In</u>		100	

F SOURCES OF FUNDS

Description	Predev Period	Rehab Period	Total Development Costs
Construction Loan		5,500,000	
New Permanent Financing			351,477
Advances	325,379		
LP Investor		679,251	4,528,343
GP			100
Existing Reserves			178,079
Operations			77,768
Deferred Fee			1,657,356
New City of Hollister Loan [not used]			117,000
Original Soft Financing [const pd tbd]		6,802,692	7,489,377
Seller Takeback		4,715,000	4,715,000
TOTAL SOURCES	325,379	17,696,944	19,114,501
<u>USES OF FUNDS</u>			
Repay Affiliates		0	0
Repay Soft Debt		0	0
Mortgage Payoff		253,331	253,331
Original Soft Financing	0	7,489,377	7,489,377
Existing Improvements + Land	0	4,715,000	4,715,000
Acquisition	0	52,687	52,687
Construction	9,000	2,419,598	2,419,598
Indirect Expenses	275,879	562,025	618,035
Buyout, Financing, Carry	40,500	675,075	675,075
Capitalized Reserves	0	0	391,398
SUBTOTAL	325,379	16,167,093	16,614,500
Org Expenses and Fees	0	1,529,851	2,500,000
TOTAL USES	325,379	17,696,944	19,114,500
DIFFERENCE			
	0	0	0

Total Direct Costs Per Door \$ 33,360.53

		Total	Predev	Total Residential	Non-Depreciable	Depreciable Residential	Non-Residential	Expense	Amortize	Eligible Basis Const/Rehab	Acquisition	Deferred Until Perm Conv
ACQUISITION COSTS												
Total Purchase Price	4,715,000											
Repay Affiliates		-										
Repay Soft Debt		253,331										
Mortgage Payoff		7,489,377										
Original Soft Financing		100,000		100,000	100,000							
Land (FMV)		4,615,000		4,615,000		4,615,000					4,615,000	
Building	65,000	40,000		40,000	848	39,152					39,152	
Title and Recording		5,187		5,187	110	5,077					5,077	
Transfer Tax	0.11%	-		-	-	-					-	
Off-Site Improvements		7,500		7,500	159	7,341					7,341	
Legal - Acquisition												
GENERAL DEVELOPMENT COSTS												
Hard Costs - Unit Construction	18,000	1,278,000		1,278,000		1,278,000				1,278,000		
Site Improvements	3,000	213,000		213,000		213,000				213,000		
PV / SHW Systems		300,000		300,000	41,462	258,538				300,000		
Construction Contingency	15%	268,650		268,650		268,650				268,650		
Contractor Overhead & Profit	6%	107,460		107,460		107,460				107,460		
Contractor General Reqs	8%	143,280		143,280		143,280				143,280		
GC Insurance	1.5%	26,865		26,865		26,865				26,865		
Bond Premium	1.8%	31,343		31,343		31,343				31,343		
Planning Department Fees		15,000	15,000	15,000		15,000				15,000		
Local Impact Fees and Taxes		-	0	0		0				0		
Building Permit Fees	3%	53,730	53,730	53,730		53,730				53,730		
Utility Fees	0%	-	0	0		0				0		
Environmental Testing		-	-	-		-				-		
Architecture	6.00%	107,460	64,476	107,460		107,460				107,460		
Engineering and Survey	6.00%	107,460	64,476	107,460		107,460				107,460		
Construction Management		36,000	9,000	36,000		36,000				36,000		
Prevailing Wage Monitor		15,000		15,000		15,000				15,000		
GC Consultation		20,000	20,000	20,000		20,000				20,000		
Construction Mockup		15,000	3,000	15,000		15,000				15,000		
Due Diligence		10,500	10,500	10,500		10,500				10,500		
Appraisal		7,500	7,500	7,500		7,500				7,500		
Market Study (TCAC)		7,500	7,500	7,500		7,500				7,500		
Relocation - Temporary		-	-	-		-		7,500		-		
Const Loan Interest	3.0%	248,325		248,325		165,550		82,775		165,550		
Const Loan Int - Land Lease - Accrued / Deferred		-	-	-		-		-		-		
Const Loan Int - Seller Loan - Accrued / Deferred		-	-	-		-		-		-		
Title/Recording/Escrow - Construction		32,500		32,500		32,500				32,500		
Title/Recording/Escrow - Permanent		10,000		10,000		10,000			10,000		10,000	
Owner Insurance During Construction		60,000		60,000		60,000				60,000		
Soft Cost Contingency	15%	72,398	21,719	72,398		72,398				72,398		
TCAC Application / Res / Monitoring Fee		37,088	7,978	37,088		37,088			37,088		29,110	
Legal - Const Loan Closing		35,000		35,000		35,000				35,000		
Legal - Perm Loan Closing		16,900		16,900		16,900				16,900		
Legal - Organization of Partnership		5,000	5,000	5,000		5,000				5,000		
Legal - Syndication - GP		45,000	13,500	45,000	45,000	-				-		
Syndication Consulting		55,000	22,000	55,000	55,000	-				-		
Audit / Cost Certification		30,000		30,000		30,000		30,000		30,000		
Furnishings		60,000		60,000		60,000				60,000		
Marketing / Leasing Compliance		10,000		10,000		10,000				10,000		
Repl Res Capitalization	1,000	71,000		71,000	71,000	-		10,000		-		71,000
Op Res Capitalization	6	320,398		320,398	320,398	-		-		-		320,398
TOR Capitalization		-		-	-	-				-		-
Developer Fee	chk	2,500,000		2,500,000		2,500,000			1,529,851		970,149	749,950
COSTS OF ISSUANCE												
Bond Counsel		45,000		45,000				45,000				
Issuer Counsel		5,000		5,000				5,000				
Issuer Application Fee		5,000		5,000				5,000				
Issuer Fee - Upfront	0.125%	6,875		6,875				6,875				
Issuer Fee - Annual During Construction		3,438		3,438				3,438				
Lender Origination - Construction	0.50%	27,500		27,500				27,500				
Lender Expenses - Construction		45,000		45,000				45,000				
Lender Counsel - Construction		85,000		85,000				85,000				
Lender Origination/Conversion - Permanent	0.35%	19,250		19,250				19,250				
Lender Expense - Permanent		25,000		25,000				25,000				
Lender Counsel - Permanent		25,000		25,000				25,000				
Trustee Fee		5,000		5,000				5,000				
CDIAC Fee	0.05%	2,750		2,750				2,750				
CDIAC Fee	0.035%	1,925		1,925				1,925				
COI Contingency	2%	6,035		6,035				6,035				
Subtotal - Costs of Issuance		231,750		307,772		-		299,813		-		
TOTAL DEVELOPMENT COSTS		19,114,500	325,379	11,447,814	633,977	10,306,803		122,775	376,300	4,711,546	5,636,718	1,197,358
TDC per unit		248,240		60%								
TDC Net of Accrued Interest		19,114,500										
TDC TCAC (Net of Synd Costs)		18,979,500										
Developer Fee Payment Schedule												
Construction Close	30%	449,970										
During Construction	20%	299,980										
Conversion	40%	599,960										
Final LP Pay In	10%	149,990										
Plus Deferred		1,000,000										
Plus GP Capital	0.01%	100										
Total Developer Fee		2,500,000										

SYNDICATION PROCEEDS		
Low-Income Housing Tax Credits	Federal	State
Eligible Tax Credit Basis Acquisition	5,636,718	-
Less Voluntary Reduction	-	-
Eligible Basis After Reduction	5,636,718	-
DDA/QCT Multiplier	100%	100%
Adjusted Acquisition Basis	5,636,718	0
Eligible Tax Credit Basis Rehab	4,670,084	4,670,084
Less Voluntary Reduction	0	0
Eligible Basis After Reduction	4,670,084	4,670,084
DDA/QCT Multiplier	100%	100%
Adjusted Rehab Basis	4,670,084	4,670,084
Tax Credit Basis	10,306,803	4,670,084
Applicable Fraction	100%	100%
TOTAL QUALIFIED BASIS	10,306,803	4,670,084
4% LIHTC Credit Rate	3.20%	
Annual Federal Credits	329,818	
Max 2014 Round 1 w/125% boost	0	
Maximum Annual Credits	2,000,000	
Tax Credit Period (Years)	10	4
LIHTC CREDITS	3,298,177	1,401,025
Business Tax (Energy) Credits		82,923
Investor Pay-In Federal LIHTC	\$1.07	3,529,049
Investor Pay-In State LIHTC	\$0.65	910,666
Investor Pay-In Business Tax Credits	\$1.07	88,728
GP Pay-In		100
NET LIHTC PAY-IN		4,528,343

TCAC BASIS LIMIT CALCULATION		
County: San Benito	2014	
4% Credits		
TCAC Basis Limits for Geographic Region		
Unit Type	9%	4%
Studio	175,436	196,718
1-BR	202,276	226,814
2-BR	244,000	273,600
3-BR	312,320	350,208
4-BR	347,944	390,154
TCAC Basis Limit for This Project		
Unit Type	# Units	Total
Studio		-
1-BR	0	-
2-BR	12	3,283,200
3-BR	47	16,459,776
4-BR		-
Total Threshold Basis		19,742,976
Local Development Impact Fees		-
Boost for Prevailing Wage	20%	3,948,595
Boost for Parking Beneath Units	7%	
Boost for Childcare	2%	
Boost for 100% Special Needs	2%	
Boost for Energy / Resource Efficiency	4%	
Toxic / Seismic Abatement Costs	15%	
Boost for Distributive Energy (75%/90%)	2%	
Boost for Distributive Energy (50% Res)	2%	
Boost for Elevator Service	10%	
Bonds: Boost for units betw. 50% and 36% AMI	1%	1,974,298
Bonds: Boost for unit ≤ 35% AMI	2%	9,476,628
TOTAL THRESHOLD BASIS LIMIT		35,142,497
POTENTIAL ELIGIBLE BASIS		10,348,264
Under/ (Over) Basis Limits	\$	24,794,233
High Cost Factor (Cannot Exceed 130%)		29.45%

DEVELOPER FEE CALCULATION	Const	Acq	Total
	15%	15%	
Maximum Potential per TCAC Formula	1,565,940	993,035	2,558,975
Percent of Total	61.19%	38.81%	
Maximum Allowable per TCAC Formula (prorated)	1,529,851	970,149	2,500,000
Less: Broker Fee / Other Dev Fees	-	-	-
Net: Allowable	1,529,851	970,149	2,500,000

Rancho Park - Rustic Gardens Pro Forma

CALCULATION OF TAX CREDITS

	FEDERAL			CALIFORNIA		
	ACQUIS	CONST/ REHAB	TOTAL	ACQUIS	CONST/ REHAB	TOTAL
Total Eligible Costs	5,636,718	4,711,546	10,348,264		4,711,546	4,711,546
Less Historic Tax Credits (res portion)			-	-	-	-
Less Non-Eligible (Fed/Grant Financing)			-	-	-	-
Less Business Energy Tax Credit (50% Red)		(41,462)	(41,462)	-	(41,462)	-
Eligible Basis	5,636,718	4,670,084	10,306,803	-	4,670,084	4,670,084
Voluntary Reduction for Tiebreaker	-	-	-	-	-	-
Eligible Basis - After Voluntary Reduction	5,636,718	4,670,084	10,306,803	-	4,670,084	4,670,084
Requested Unadjusted Eligible Basis	5,636,718	4,670,084	10,306,803	-	4,670,084	4,670,084
High Cost Adjustment (1.3x)?	100%	100%	100%	100%	100%	100%
Requested Qualified Basis (for leveraging)	5,636,718	4,670,084	10,306,803	-	4,670,084	4,670,084
% Reduction	0%	100%	100%	100%	100%	100%
Credit Rate (TCAC Underwriting)				-	4,670,084	4,670,084
State - Total				13.00%	30.00%	
Federal Annual/Yr 1-3 State	3.20%	3.20%		3.36%	7.59%	
Year 4 State				2.92%	7.23%	

Max Potential Federal Credit (No Vol Basic Reduction)						
Credit Rates	3.20%	3.20%				
Potential Credit	180,375	149,443	149,443			
Max Credit Amount per TCAC Underwriting						
Federal Annual/Yr 1 State	180,375	149,443		-	354,459	354,459
Yr 2 State				-	354,459	354,459
Yr 3 State				-	354,459	354,459
Yr 4 State				-	337,647	337,647
Total					1,401,025	1,401,025
Actual TCAC Credit Reservation	180,375	149,443	329,818			1,401,025
Maximum Allowable -10-yr Total			3,298,177			1,401,025

TOTAL STATE + FEDERAL LIHTC AMOUNTS - 10 YEARS

Total Federal + State		3,298,177
General Partner Share	0.01%	100
Limited Partner Share	99.99%	3,297,847

Business Tax Credit (PV and SHW)				Applicable Fraction			
				# of Units	Total Sq Ft	Fraction	
Depreciable Basis							
PV and Solar Hot Water		300,000		LIHTC Eligible	0	84,665	100%
Construction Contingency		38,588		Non-Eligible		-	0%
Design				Total	0	84,665	100%
Developer Fee		214,232					
Total Depreciable Basis		552,820					
less Grants and Rebates				Applicable Fraction			100%
less Tax Exempt Portion (split)	50%	(276,410)		(Lesser of low income units count			
Net Basis for Business Tax Credit		276,410		or square foot %)			100%
Total Business Credit	30%	82,923					
Residential Portion of Business Credit	100%	82,923					

Rancho Park - Rustic Gardens Pro Forma

Rent Matrix

Average Affordability for
Qualified Units (% AMI) 48.45%

HCD TCAC Rent Limits
San Benito County

Unit	Count	Utility Allowances
Studio	-	
1 BR	-	SEE
2 BR	12	BELOW
3 BR	47	
4 BR	14	

Total Sq Ft Tax Credit Eligible Rentable	84,665
Total Sq Ft - Non Tax Credit Eligible	0
Total Rentable Square Feet	84,665
# Targeted Units	71
Total Unrestricted NonManagement Units	-
Affordable Percentage	100%
TCAC Affordability Points	

Residential Income		30% AMI	Percent of Targeted Units		33.8%	TCAC Affordability Points			
	Unit Type	Count	Per Unit Sq Ft	Total Sq Ft	%AMI	Gross Rent	Net Rent	Monthly Net	Annual Net
RANCHO	2 BR	RHCP	5	935					
RANCHO	3 BR	RHCP	11	1,150	30%	533	468	2,340	28,080
RANCHO	4 BR	RHCP	2	1,375	30%	585	507	5,577	66,924
RUSTIC	2 BR	RHCP	1	890	30%	669	570	1,140	13,680
RUSTIC	3 BR	RHCP	4	1,250	30%	593	513	513	6,156
RUSTIC	4 BR	RHCP	1	1,375	30%	659	563	2,252	27,024
						753	631	631	7,572

Residential Income		50% AMI		Percent of Targeted Units		14.1%		TCAC Affordability Points		
	Unit Type	Count		Per Unit Sq	Total Sq Ft	%AMI	Gross Rent	Net Rent	Monthly	Annual Net
RANCHO	4 BR	RHCP	1	1,375	1,375	50%	1,275	1,176	1,176	14,112
RANCHO	3 BR	TCAC	6	1,150	6,900	50%	858	780	4,680	56,160
RANCHO	4 BR	TCAC	1	1,375	1,375	50%	926	827	827	9,924
RUSTIC	3 BR	TCAC	1	1,250	1,250	50%	669	573	573	6,876
RUSTIC	4 BR	TCAC	1	1,375	1,375	50%	1,089	967	967	11,604

Residential Income		60% AMI	Percent of Targeted Units		52.1%	TCAC Affordability Points				
	Unit Type	Count		Per Unit Sq	Total Sq Ft	%AMI	Gross Rent	Net Rent	Monthly	Annual Net
RANCHO	3 BR	RHCP	6	1,150	6,900	60%	1,079	1,001	6,006	72,072
RANCHO	4 BR	RHCP	1	1,375	1,375	60%	1,166	1,067	1,067	12,804
RANCHO	2 BR	TCAC	3	935	2,805	60%	920	855	2,565	30,780
RANCHO	3 BR	TCAC	14	1,150	16,100	60%	1,142	1,064	14,896	178,752
RANCHO	4 BR	TCAC	3	1,150	3,450	60%	1,162	1,063	3,189	38,268
RUSTIC	3 BR	RHCP	1	1,250	1,250	60%	951	855	855	10,260
RUSTIC	4 BR	RHCP	1	1,375	1,375	60%	1,355	1,233	1,233	14,796
RUSTIC	2 BR	TCAC	3	890	2,670	60%	1,032	952	2,856	34,272
RUSTIC	3 BR	TCAC	3	1,250	3,750	60%	1,155	1,059	3,177	38,124
RUSTIC	4 BR	TCAC	2	1,375	2,750	60%	1,246	1,124	2,248	26,976

Management Unit			Per Unit Sq Ft	Total Sq Ft	%AMI	Gross Rent	Net Rent	Monthly Net	Annual Net
Unit Type	Count								
RANCHO 4 BR	1		1,375	1,375	0%	-	738	738	8,856
RUSTIC 3 BR	1		1,250	1,250	0%		738	738	8,856

Total Units	73	-	Total Residential Rental Income			60,244	722,928
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Rancho Park - Rustic Gardens Pro Forma
BASE YEAR INCOME / OPERATING EXPENSE STATEMENT

INCOME			<u>RANCHO PARK</u>	<u>RUSTIC GARDENS</u>
Gross Residential Revenue		722,928		
Section 8 PBA (Incremental Income)				
Misc. Income [per unit monthly]	230.44	16,822	13,322	3,500
Maximum Potential Income		739,750		
Less Rental Revenue Vacancy	5%	(36,988)		
Less PB S8 Vacancy	5%	-		
EFFECTIVE GROSS INCOME		702,763		
EXPENSES - RESIDENTIAL				
Administrative				
Advertising		2,127	1,450	677
Legal		2,600	1,300	1,300
Accounting / Audit Bookkeeping		23,772	13,881	9,891
Security		840	840	-
Misc. Administrative		22,785	18,610	4,175
Total Administrative		52,124		
Management Fee		54,312	40,176	14,136
Utilities				
Electricity		7,949	15,052	4,821
Gas		2,923	4,456	1,390
Water / Sewer		105,249	81,600	29,188
Cable TV		-		-
Total Utilities		116,121		
Payroll / Payroll Taxes				
On-Site Manager/Office Admin (1.5 FTE)		58,051	42,942	15,109
Maintenance / Janitor Payroll (1.5 FTE)		44,114	32,632	11,482
Manager Unit Expense / Credit		17,712	8,856	8,856
Payroll Taxes / Benefits		40,611	30,260	10,351
Total Payroll / Payroll Taxes		160,488		
Insurance		21,777	15,431	6,346
Real Estate Taxes		31,803	24,951	6,852
Maintenance				
Painting		3,300	3,050	1,350
Repairs		18,263	16,000	8,350
Trash Removal		48,478	35,592	12,886
Exterminating		2,622	1,638	984
Grounds		18,111	17,380	6,768
Elevator		-		-
Total Maintenance		90,774		
Replacement Reserve	\$600	43,800	37,800	8,980
Operating Reserve			12,524	4,791
Other				
Resident Services		11,361	11,361	-
Financing: HCD, Trustee, HOME, Issuer Fees		33,387		
FTB License		800		800
Total Other		45,548		
Total Operating Expenses - Residential		616,746	467,782	169,483
Per Unit Per Annum (Incl. Reserves)				
Per Unit Per Annum (w/o Taxes or Services)		8,449		
TCAC Minimum (w/o Taxes or Services)		7,257		
		4,000		
YEAR 1 ADJUSTED NET INCOME AVAILABLE FOR DEBT SERVICE				
		86,016		
Debt Service Coverage Ratio		1.15		
AVAILABLE FOR DEBT SERVICE		74,797		
YEAR 15 ADJUSTED NET INCOME AVAILABLE FOR DEBT SERVICE				
		25,251		
Debt Service Coverage Ratio		1.05		
AVAILABLE FOR DEBT SERVICE		24,049		

Rancho Park - Rustic Gardens Pro Forma

4% Tax Credits post-stabilization mortgage term cash flow ('000s)

Description	conv 6/30/2017																	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1	723	741	760	779	798	818	838	859	881	903	925	949	972	997	1,021	1,047	1,073	1,100
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	17	17	18	18	19	19	20	20	20	21	22	22	23	23	24	24	25	26
5	740	758	777	797	817	837	858	879	901	924	947	971	995	1,020	1,045	1,071	1,098	1,126
6	37	38	39	40	41	42	43	44	45	46	47	49	50	51	52	54	55	56
7	703	720	738	757	776	795	815	835	856	878	900	922	945	969	993	1,018	1,043	1,069
8	527	546	565	585	605	626	648	671	694	719	744	770	797	825	854	884	915	947
9	175	174	173	172	171	169	167	164	162	159	156	152	148	144	139	134	129	123
10	12	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
11	22	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44
12	11	12	12	13	13	13	14	14	15	15	16	17	17	18	18	19	20	20
13	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
14	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
15	Less Trustee Fee																	
16	Less Issuer Fee (Post-Conv)																	
17	Net Cash Flow	136	100	60	58	56	54	51	49	46	42	38	34	30	25	20	14	8
18	Investor Asset Manage Fee	5	5	5	6	6	6	6	7	7	7	7	7	8	8	8	8	1
19	Not Used																	
20	Partnership Management Fee																	
21	Ground Lease Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	Cash Flow	131	90	45	42	40	37	34	30	27	23	18	13	8	3			
23	Deferred Fee/Seller Takeback																	
24	Net Cash Flow	131	45	45	42	40	37	34	30	27	23	18	13	8	3			
25	Construction Source	33	45	0	0	0	0	0	0	0	0	0	0	0	3			
26	DSCR		3.49	3.42	3.34	3.25	3.14	3.02	2.89	2.75	2.60	2.43	2.24	2.04	1.82	1.58	1.33	1.05

Projections

Annual Rental Income Increase	2.5%
Annual Misc. Income Increase	2.5%
Annual Expense Increase	3.5%
Partnership Mngmt Fee Index	0.0%
Ground Lease Escalation	N/A
HOME Monitoring Fee	\$0
Vacancy Collection/Loss	5.0%
Replacement Reserve Contribution	\$600
Replacement Reserve Increase	0% N/A
Operating Reserve	0% N/A